PROVINCE OF SASKATCHEWAN

2012

ANNUAL REPORT

PUBLIC EMPLOYEES
DISABILITY INCOME FUND

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2012.

Ken Krawetz

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2012.

Brian Smith

Brian Smith
Chair
Public Employees Disability Plan Advisory Council

Public Employees Disability Income Fund

Introduction

The Public Employees Disability Income Plan was established in 1978.

The Plan provides long-term disability benefits to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

As at December 31, 2012 there were approximately 11,458 insured employees.

DIP Advisory Council

Brian Smith, Chair
Ministry of Finance (PEBA)

Jeannie Essey
SaskPower

Dawn McKibben
Public Service Commission

Carolynne Warner
SaskTel

Norma Reynolds
Public Service Commission

Marla St. Onge
SaskEnergy
CEP Local 649

Bill Lawson
SaskTel
CEP Locals 1S, 2S & 3

Sherri Kaytor
CUPE 600

Dustin Melnyk
SaskPower
IBEW Local 2067

Participating Employers

The following employers participate in The Government of Saskatchewan Disability Income Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Global Transportation Hub Authority (The)
Information and Privacy Commissioner (Office of the)
Information Services Corporation of Saskatchewan
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services Inc.
Prairie North Regional Health Authority
Provincial Auditor (Office of the)
Regina Qu'Appelle Regional Health Authority
Residential Tenancies (Office of the)
Safe Saskatchewan Inc.
Sask Pork
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Cancer Foundation
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Film and Video Development Corporation
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and Technology

Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
Sun Country Regional Health Authority
Technical Safety Authority of Saskatchewan
Tourism Authority
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998* excluding employees covered by the Saskatchewan Government and General Employees' Union
Ombudsman
Provincial Auditor
Supervising Justice of the Peace, appointed under section 3 of *The Justices of the Peace, Act, 1988*

Administration

The Public Employees Disability Income Plan is self-insured and is managed by the Public Employees Benefits Agency, Ministry of Finance.

The Disability Income Plan Advisory Council has been established under Section 16 of *The Government Organization Act* and is comprised of an equal number of management and union representatives appointed by Minister's Order. The Great West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

ORG Canada and Northern Rehabilitation and Consulting Services Inc. (NRCS) provide rehabilitation services to the Plan.

Investment Management Services

The Minister of Finance is authorized to invest money of the Disability Income Fund in any class of investments authorized for the investment of moneys in the general revenue fund.

GLC Asset Management Group Ltd. (GLC) invests the monies of the Fund under a contract to provide services. The Fund pays management fees to GLC Asset Management Group Ltd. (GLC).

Funding

Employees and employers pay premiums monthly. Employees contribute 0.825% of their basic monthly salary and employers contribute between 0.925% and 0.98%. For some plan participants the employer pays 100%.

Benefits

After serving a Qualifying Period of 119 calendar days, the gross monthly disability benefit is equal to 75% of pre-disability basic monthly salary.

Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability.

Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue.

Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

Premiums/Claims Experience

	Dec. 31, 2012	Dec. 31, 2011
Premiums	$14,177,580	$9,069,764
Claims	$12,304,538	$12,530,517
# Active Claims	353	347

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Disability Income Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The actuary has prepared a valuation report on the provision for claims payable of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management. This report has been used in the preparation of the financial statements.

We believe the Public Employees Disability Income Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The Disability Income Plan Advisory Council was established in 1978 and is comprised of an equal number of management and labour representatives. It is responsible for reviewing policies and procedures governing the operations of the Disability Income Plan, address appeals where benefits have been declined by the insurance carrier and oversee management of the investment fund.

I enclose the financial statements of the Public Employees Disability Income Fund for the year ended December 31, 2012 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
April 10, 2013

Actuaries' Opinion

With respect to the Public Employees Disability Income Plan, we have prepared an actuarial valuation as at December 31, 2012 for the purpose of determining the necessary actuarial information for financial statement reporting. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation; and
- the actuarial cost methods employed are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Hewitt

April 10, 2013

Public Employees Disability Income Fund

Financial Statements

Year Ended December 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Disability Income Fund, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and net debt, and cash flows for the year ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Disability Income Fund as at December 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year ended December 31, 2012 in accordance with Canadian public sector accounting standards.

Bonnie Lysyk

Regina, Saskatchewan
April 10, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Public Employees Disability Income Fund **Statement 1**
Statement of Financial Position

Year Ended December 31

	2012	2011
Financial Assets		
Cash	$ 354,256	$ 5,032
Due from Great-West Life Assurance Company (Note 4)	-	540,186
Accounts Receivable	727,145	379,462
Investments (Note 2c, 3)	71,308,803	66,956,450
	$ 72,390,204	$ 67,881,130
Liabilities		
Accounts Payable	316,827	251,481
Due to Great-West Life Assurance Company (Note 4)	143,057	-
Employer premium payable	84,739	88,029
Provision for claims payable (Note 5)	81,872,000	76,911,000
	82,416,623	77,250,510
Net Debt and Accumulated Deficit (Statement 2)	$(10,026,419)	$(9,369,380)

Contingencies (Note 7)

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund
Statement of Operations and Change in Net Debt

Statement 2

Year Ended December 31

	2012		2011
	Budget (Note 10)	Actual	Actual
Revenues			
Premiums	$ 13,575,000	$ 14,177,580	$ 9,069,764
Change in provision for claims payable (Note 5)	-	-	8,684,000
Investment income	3,558,952	4,127,573	1,982,633
	17,133,952	18,305,153	19,736,397
Expenses			
Disability benefits	13,687,000	12,304,538	12,530,517
Change in provision for claims payable (Note 5)	-	4,961,000	-
Administration (Note 6)	1,121,380	1,041,898	958,894
Adjudication fees	500,761	478,294	505,571
Investment management fees	181,200	176,462	183,488
	15,490,341	18,962,192	14,178,470
Operating (deficit)/surplus	1,643,611	(657,039)	5,557,927
Net Debt and Accumulated Deficit, Beginning of Year	(9,369,380)	(9,369,380)	(14,927,307)
Net Debt and Accumulated Deficit, End of Year – Statement 1	$ (7,725,769)	$ (10,026,419)	$ (9,369,380)

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund **Statement 3**
Statement of Cash Flows

Year Ended December 31

	2012	2011
Cash flows from operating activities:		
Premiums received	$ 13,848,760	$ 9,075,214
Disability benefits paid	(12,274,920)	(12,648,539)
Administration expenses paid	(1,024,893)	(785,784)
Adjudication fees paid	(477,966)	(506,085)
	70,981	(4,865,194)
Cash flows from investing activities (Note 2c, 3):		
(Net purchases)/Net sales of investments	(405,000)	5,095,000
Net (decrease)/increase in cash	(334,019)	229,806
CASH, BEGINNING OF YEAR	545,218	315,412
CASH, END OF YEAR	$ 211,199	$ 545,218
Balance consists of:		
Cash	$ 354,256	$ 5,032
Due to Great West Life Assurance Company (Note 4)	(143,057)	540,186
Cash, end of year	$ 211,199	$ 545,218

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund
Notes to the Financial Statements

December 31, 2012

1. Description of Fund

The Public Employees Disability Income Fund (PEDIF) is a special purpose fund used to account for the transactions of the Disability Income Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides a level of income protection during periods of occupational or total disability. Plan participants are certain employees of the public service of the Province of Saskatchewan and Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Government, through the Minister of Finance, entered into an agreement with Great-West Life Assurance Company (Great-West Life) to administer the Disability Income Plan, effective January 1, 2009.

Premiums
Employees and employers pay premiums monthly. Employees contribute 0.825% of their basic monthly salary and employers contribute between 0.925% and 0.98%. For some plan participants the employer pays 100% of the employees' contributions.

Effective June 1, 1994, participating employers in the Public Employees Disability Income Plan remit an additional employer premium on behalf of all insured employees. This additional employer premium funds the employer's pension contribution on behalf of disabled employees who are members of the Public Employees Pension Plan. As some disabled employees are not members of the Public Employees Pension Plan, they are not entitled to have the employer's pension contribution remitted on their behalf. In these cases, the "deemed" employer's pension contribution will be refunded back to the employer each year commencing 2005.

The refunds of the required premium, and the additional premiums, are recorded in premium revenue in the Statement of Operations and Change in Net Debt.

Benefits
After a qualifying period of 119 calendar days, a disabled employee receives a gross monthly disability benefit equal to 75% of pre-disability basic monthly salary. Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability. Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue. Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These statements do not present a Statement of Re-measurement Gains and Losses as it is not practical to determine the unrealized portion of investment income relating to its pooled fund investments. As a result, all income attributable to its

pooled fund investments is recorded in investment income on the Statement of Operations and Change in Net Debt. The following accounting policies are considered significant:

a) Premiums revenue

Premiums are recognized as revenue when due.

b) Disability benefits expense

Disability benefits expense is recognized commencing in the year the claim occurred.

c) Investments

The investments are held by GLC Asset Management Group Ltd.(GLC) on behalf of PEDIF in an assortment of pooled funds including a: money market, bond, mortgage, Canadian equity, US equity, and International equity pooled fund. All investments are valued at fair value. The fair value of short-term notes is based on cost. The cost of short-term notes plus accrued interest approximates their market value. Canadian government and corporate bonds, mortgages, Canadian and U.S. equities, and non-North American equities are valued at the closing bid price. The market values of investments in foreign currencies are translated into Canadian dollars at the closing rate of exchange on December 31, 2012. The purchase and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

d) Provision for claims payable

The provision for claims payable represents the present value of future payments arising from claims made prior to year-end. This provision includes an estimated amount for claims incurred but not yet reported at year-end. The provision for claims payable is determined pursuant to an actuarial valuation. Any resulting change in this liability is recognized as a revenue or expense in the Statement of Operations and Change in Net Debt.

e) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid. Accounts payable includes an estimated accrual for unpaid claims not reported for 2012 of $85,032 (2011 - $50,438) with related adjudication expenses on these claims of $808 (2011 - $479). Actual results could differ from those estimates.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision for claims payable – see Note 5.

f) Financial instruments

Receivables and payables are measured at cost which approximates their fair value. As described in Note 2 c) the investments are held by GLC and are measured at fair value.

Changes in fair value are recognized in the Statement of Operations and Change in Net Debt.

3. Investments

At December 31, 2012, the investments held on behalf of PEDIF by GLC in various pooled funds consist of short-term notes, Canadian government and corporate bonds, mortgages, and Canadian and US equities

GLC does not remit the investment income to PEDIF; it reinvests the income, net of management fees, in the pooled funds.

Fair Value

The Plan has classified its fair-valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within this fair-value hierarchy:

(thousands of dollars)

Pooled Funds	Level 1	Level 2	Level 3	Total
Money Market Fund	$2,353			$2,353
Bond Fund		$33,659		$33,659
Mortgage Fund		$7,772		$7,772
Equity funds	$27,525			$27,525
Total	$29,878	$41,431		$71,309

4. Due (to)/from Great-West Life Assurance Company

According to the agreement between PEBA and Great-West Life Assurance Company, Great-West Life has established an account for receipt of PEDIF's premiums and payment of claims and administrative expenses. The balance in this account represents monies due (to)/from Great-West Life (from)/to PEDIF. If the transfers in process are greater than the balance in the account, there is a net due to Great-West Life.

5. Provision for Claims Payable

An actuarial valuation was performed by Aon Hewitt as at December 31, 2012, to determine the liability for the future cost of existing claims of disabled members. The valuation includes a provision for claims incurred but not yet reported.

The provision for claims payable as at December 31 and the principal components of the change in provision for claims payable during the year were as follows:

	2012	2011
Provision for claims payable, beginning of year	$76,911,000	$85,595,000
Interest on previous liability	3,269,000	3,638,000
Mortality and termination experience (gain)	2,584,000	(4,870,000)
Change in assumptions	(4,090,000)	(7,524,000)
New claims	10,471,000	11,566,000
Data Changes	(15,000)	(14,000)
Expected benefits payments	(11,892,000)	(11,480,000)
Addition of expense reserve	4,634,000	-
Provision for claims payable, end of year	$81,872,000	$76,911,000

The actuarial valuation is based on the following assumptions: 1) the allowance for claim termination is based on the Canadian Group Long-Term Disability Termination Experience Report, 1988 to 1994, as published by the Canadian Institute of Actuaries adjusted for experience; 2) the interest rate assumed is 5.50% (2011 – 4.25%); 3) the inflation rate assumed is 2.5% (2011 – 2.5%) for all future years. An explicit reserve has been added to account for future non-investment management expenses associated with the current disability claimants.

The amount of benefits payable under the Plan may be increased on October 1 each year. The increase in benefits is indexed, subject to a maximum of 3.0% per annum, to the Consumer Price Index for the year ending on the immediately preceding July 1.

If the actuarial valuation assumed no indexing of benefits each year, the liability at December 31, 2012 would be $71,330,000 (2011 - $66,440,000).

The liability for claims is based on a number of assumptions about future events including: recovery and mortality rates, interest rates and expected benefits from other sources. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate, cost of living adjustment and recovery rates.

- a 1% change in discount rate equals a 4.9% (2011 – 5.4%) change in the liability including the cost of living adjustment as determined by the consumer price index
- a change in the cost of living adjustment of 1% equals a 5.4% (2011 – 5.8%) change in the liability
- a 10% change in recovery rates equals a 4.5% (2011 – 4.9%) change in the liability

The provision for claims payable is long-term in nature and there is no market for settling these obligations. Therefore, it is not practical to determine the fair value of the provision for claims payable.

6. Administration Expenses

PEBA administers PEDIF for a mutually agreed upon fee.

7. Contingencies

PEDIF is a party to a number of lawsuits initiated by claimants relating to disability benefits. The ultimate outcome of these lawsuits is not yet determinable. Accordingly, no liability has been recorded in these financial statements. Liabilities arising from the resolution of these lawsuits will be accounted for in the year the lawsuits are settled.

8. Investment Performance

PEDIF's investments are represented by the amounts held by GLC. (see Note 2c, 3). The following is a summary of the investment performance:

	2012	Four year annualized return
Actual (a)	6.2%	7.6%
Benchmark (b)	6.5%	7.0%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is PEDIF's target rate of return for its investments. The benchmark return is based on the performance of PEDIF's planned investment portfolio.

The assets within the PEDIF can be invested as authorized within the PEDIF's Statement of Investment Policies and Goals (Investment Policy). The Disability Income Plan Council (Council) has an agreement in place with GLC to invest the monies of PEDIF in a selection of investment mandates offered by GLC consistent with the Investment Policy. PEDIF pays investment management fees to GLC for providing this service.

9. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an Investment Policy, which is approved annually. The Investment Policy provides guidelines to the Plan's investment manager for the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. PEBA reviews regular compliance reports from its investment manager as to its compliance with the Investment Policy. PEBA also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the Investment Policy.

Credit risk

The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2012 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of dollars) 2012 Carrying value	2011 Carrying value
Accounts receivable	$ 727	$ 379
Due (to)/from Great-West Life Assurance Company	(143)	540
Investments[1]	36,012	34,155

[1] Bonds & short-term investments held on behalf of PEDIF.

Accounts receivable are primarily made up of employee and employer contributions receivable. Employee and employer contributions receivable are generally received within 30 days.

Credit risk within investments is primarily related to the Pooled Fixed Income Fund. It is managed through the Investment Policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would increase the accumulated deficit by $2.7 million at December 31, 2012, representing 6.5% of the $41.4 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar exchange through its U.S. equity pooled fund. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in EAFE equity pooled fund. Exposure to both U.S. equities and Non-North American equities is limited to a maximum 18% each of the market value of the total investment portfolio with a combined maximum of 30%. At December 31, 2012, the Plan's exposure to U.S. equities was 13.4% (2011 – 12.0%) and its exposure to Non-North American equities was 11.8% (2011 – 11.3%).

At December 31, 2012, a 10% change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.96 million change in net debt and accumulated deficit. A 10% change in the Canadian dollar versus the EAFE currencies would result in approximately a $0.84 million change in net debt and accumulated deficit.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets through its pooled funds. Equity pooled funds comprise 38.6% (2011 – 37.3%) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated in net debt and accumulated deficit based on changes in the Plan's benchmark indices at December 31, 2012:

	(Change in $000's)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 956	$ (956)
S&P 500 Index	956	(956)
MSCI EAFE Index	842	(842)

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and claims payable are due within one year.

10. Budget

The annual budget was approved by the Disability Income Plan Advisory Council.

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to PEDIF by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

Due to the nature of PEDIF, substantially all premiums are received from related parties.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2012	2011
Accounts receivable	$694,319	$351,612
Accounts payable and Employer premium payable	$291,312	$277,597

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.